



“The Victorian Port City”

Performance Dashboard & Citizen’s Guide

September, 2011



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Performance Dashboard and Citizen's Guide

Introduction

Welcome to the City of Manistee *Dashboard* and *Citizen's Guide*. As part of Governor Snyder's and the Legislature's initiative to reform local government and revamp statutory state revenue sharing, communities are required to produce these documents in order to receive this State funding. Beyond the statutory requirement, these documents will be useful to assist citizens in understanding the City's status and financial health.

The *Dashboard* includes selected measures that are important to the City and its residents, presented in an easy to understand format. Each measure shows progress over a prior period as described below:

-  This symbol indicates a positive - or encouraging - trend in the specific measure.
-  This symbol indicates a negative - or discouraging - trend in the specific measure.
-  This symbol indicates that there has been little to no change in the measure.

The *Citizen's Guide* discusses the City's operations and finances in an easy to understand format with a variety of graphs, charts, photos and diagrams. The goal is to present the often complex finances of the City in a fashion that anyone can understand.

The key areas that are covered in the Citizen's Guide are:

Elected Officials & Administration
Strategic Plan, Budget & Audit
Employment & Compensation
City Debt
Property Taxes
General Fund
Water & Sewer Utility
Oil & Gas Fund
Streets
Ramsdell Theatre



| Financial Stability | | | |
|----------------------------|---------------|---------------|-------|
| | Prior | Current | Trend |
| General Fund Balance | \$919,939 | \$981,234 | + |
| Oil & Gas Fund Balance | \$7,806,263 | \$8,730,279 | + |
| Total Debt | \$12,012,270 | \$11,207,270 | + |
| State Equalized Value | \$245,823,500 | \$245,381,700 | - |
| City Millage Rate | 18.45 | 18.45 | = |
| Pension Funding Percentage | 104.5% | 103.8% | - |
| Overfunded Pension Assets | \$622,340 | \$540,579 | - |
| Unfunded OPEB Liabilities | \$190,835 | \$173,951 | + |

| Public Safety | | | |
|-------------------------|-------|---------|-------|
| | Prior | Current | Trend |
| Felony Arrests | 75 | 106 | + |
| Misdemeanor Arrests | 559 | 804 | + |
| Crimes Against People | 512 | 531 | - |
| Property Crimes | 359 | 357 | + |
| Tickets | 872 | 1,015 | + |
| Fire Runs | 28 | 26 | + |
| Medical Runs | 780 | 921 | - |
| Other (Assistance) Runs | 117 | 176 | - |

| Economic Strength | | | |
|----------------------------|----------|----------|-------|
| | Prior | Current | Trend |
| Population | 6,586 | 6,226 | - |
| Unemployment Rate | 12.6% | 12.7% | - |
| Per Capita Income | \$26,190 | \$28,079 | + |
| New Business Registrations | 18 | 17 | - |
| Building Permits Issued | 66 | 73 | + |

| Quality of Life | | | |
|--------------------------------|-----------|-----------|-------|
| | Prior | Current | Trend |
| City Parks (Acres) | 136.3 | 182.8 | + |
| City Bike Paths\Trails (Miles) | 3.5 | 3.5 | = |
| Parks & Rec Expenditures | \$341,485 | \$356,377 | + |
| % of Streets Rated Good | 20.1% | 18.9% | - |

Elected Officials

The City of Manistee is a home rule City with a Council-Manager form of Government. Seven Councilmembers represent the City and serve two year terms. Even numbered districts (2, 4 and 6) are elected in odd years, and odd numbered districts (1, 3, 5 & 7) are elected in even years. Councilmembers are nominated by district but run at large in the general election. The Mayor is chosen by the seated Councilmembers annually.

| | |
|------------------------------------|---|
| Richard Mack Sixth District | Mayor rmack@manisteemi.gov |
| Colleen Kenny First District | Mayor Pro-Tem ckenny@manisteemi.gov |
| Ed Cote Second District | Councilmember ecote@manisteemi.gov |
| Robert Hornkohl Third District | Councilmember rhornkohl@manisteemi.gov |
| Iona Haydon Fourth District | Councilmember ihaydon@manisteemi.gov |
| Catherine Zaring Fifth District | Councilmember czaring@manisteemi.gov |
| Alan Marshall Seventh District | Councilmember amarshall@manisteemi.gov |

City Administration

City administration is organized by departments under the direction of the City Manager. Each is overseen by a highly qualified Department Director. Each department has specific roles and responsibilities, but all work together towards a common goal of providing a high level of service in an economical, professional fashion.

| | |
|-----------------------------------|---|
| Mitch Deisch (231) 398-2801 | City Manager mdeisch@manisteemi.gov |
| Dave Bachman (231) 723-2533 | Public Safety Director dbachman@manisteemi.gov |
| Jack Garber (231) 723-7132 | Public Works Director jgarber@manisteemi.gov |
| Ed Bradford (231) 398-2804 | Financial Services Director ebradford@manisteemi.gov |
| Jon Rose (231) 398-2805 | Community Development Director jrose@manisteemi.gov |
| Michelle Wright (231) 398-2803 | City Clerk\Deputy Treasurer mwright@manisteemi.gov |
| Julie Beardslee (231) 398-2802 | City Assessor jbeardslee@manisteemi.gov |

Strategic Plan

The City has adopted a strategic plan to help guide its progress and aid in decision-making. It is updated annually through a community process. This document helps to focus City Council and Administration on achieving the City's vision:

Manistee will be the community of choice on the Northwest Michigan coastline with a strong, diversified economy providing opportunities for all...a city whose prosperity continues into the future.

The strategic plan identifies seven areas of focus:

1. Economic Development and Jobs
2. City Infrastructure
3. Beaches, Parks and Recreational Areas
4. Financial Stability and Continuous Improvement
5. Intergovernmental Relationships
6. Housing, Homelessness & Senior Citizens

The strategic plan is used in formulating the City's annual operating budget and capital improvement plan in order to competitively position the City of Manistee as the community of choice and destination for business, industry, tourists and families.

Annual Budget

The City's fiscal year runs from July 1 to June 30. The City Charter requires the annual budget be adopted by May 15. The budget is the primary policy document of the City Council. The City budget process starts in January. Administration prepares the budget based on the strategic plan and other priorities and delivers it to Council in late March. A series of work sessions, public meetings and a public hearing are then held to get input on the budget.

Capital Improvement Plan

Along with the budget, the City prepares a five-year capital improvement plan. This plan identifies needed capital outlay and provides a justification for each project. Being a forward looking planning document, the plan is frequently revised and adjusted as needed.

Annual Audit

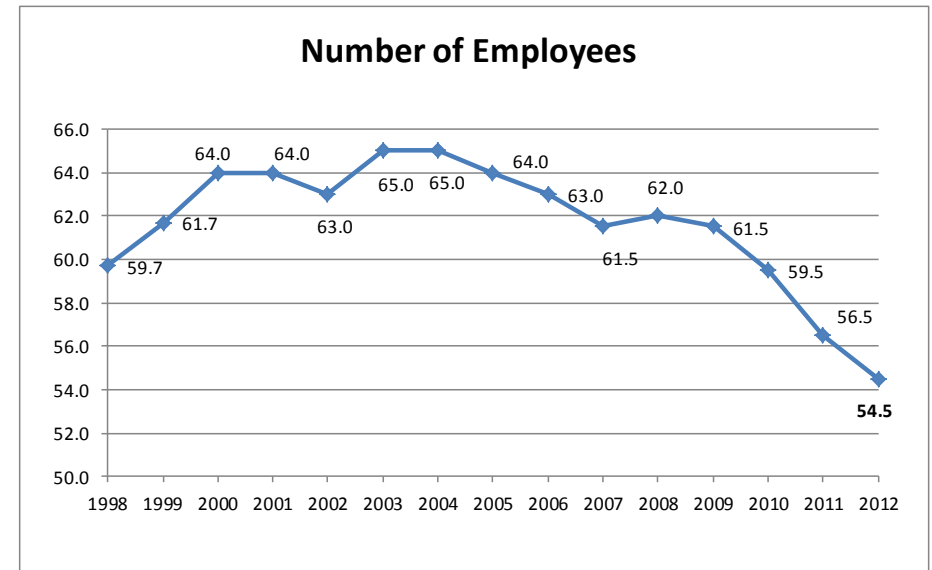
The City's finances are audited every year by a Certified Public Accounting firm. The audit starts in late August and is typically presented to Council in October. The audit report expresses an opinion on the financial statements, and identifies any financial problems.

The Strategic Plan, Annual Budgets, Capital Improvement Plan and Annual Audits can all be found on the City's website: www.manisteemi.gov

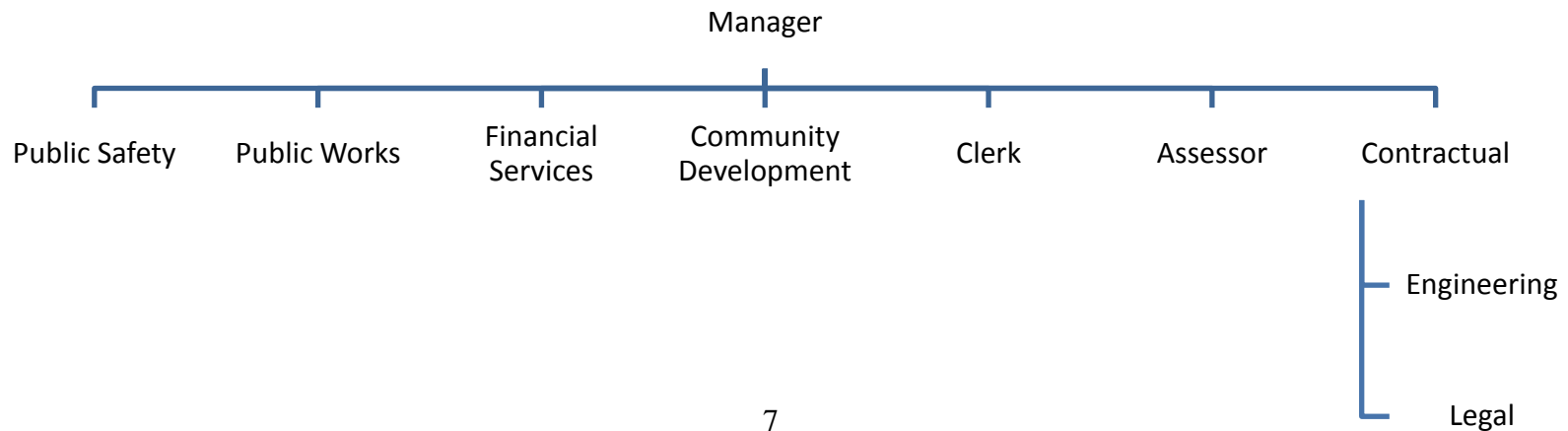
Employment

The City of Manistee has four different unionized employee groups. Supervisory and support staff are nonunion. The services city residents enjoy are provided by this dedicated, professional workforce. As with most organizations, the City has had to adapt to a new environment of reduced revenue and escalating expenses. Since 2004, the full-time City workforce has been reduced by 16% or 11 jobs. This reduction has been achieved largely thru attrition, outsourcing and administrative consolidation.

The City is undertaking an ongoing review of each department to identify areas in which there are opportunities for collaboration, consolidation, outsourcing and increased efficiencies. Police, Fire & EMS and Assessing have been completed. The next department scheduled for review is the Department of Public Works.



City Organization Chart



Wages, Pension & Future Liabilities

Wages

Employee wages are adjusted annually on July 1, and are adopted as part of the overall budget. Each employee group has an established wage schedule. Wages were frozen for the last two years and the year prior to that POAM and COAM gave up a negotiated 4% increase. Department directors also took two furlough days last year, reducing their wages by about 1%. In the current budget, employees will receive a modest 2% wage increase.

Pension

The City is a member of the Municipal Employees' Retirement System of Michigan (MERS). Most of the City's employees are covered under one of a number of defined benefit (DB) retirement plans administered through MERS. A few employees are covered under a 457 deferred comp plan administered by ICMA and/or MERS, or a 401 defined contribution plan provided by MERS; collectively (DC).

MERS calculates an annual contribution for each DB plan while the DC contribution is a percentage of wages.

Overall, the MERS DB retirement plans are actuarially overfunded by \$622,340, or at 104.5% of liabilities.

The plan is very strongly funded; in the top 10% of all MERS defined benefit plans.

Pension Data**

| Division | Percent Funded | Normal Cost | Required Minimum | Budgeted Contribution |
|--------------|----------------|-------------|------------------|-----------------------|
| 01 Non-Union | 98.3% | 5.16% | 5.58% | 6.58% |
| 02 POAM | 104.3% | 10.28% | 5.30% | 10.28% |
| 05 IAFF | 87.0% | 10.13% | 12.66% | 13.66% |
| 10 USW | 118.6% | 4.66% | 0.00% | 4.66% |
| 20 COAM | 101.7% | 10.06% | 3.91% | 10.06% |
| City | 104.5% | | | |

**Recent benchmarking also shows that the City plan is in much better financial shape than its peers. Specifically, in comparison to its peers, the City's plan: 1) Is significantly better funded; 2) costs the City less per active employee; 3) requires a much higher employee contribution; and 4) provides a lower pension benefit and fewer riders.

Other Post-Employment Benefits

The City provides a flat contribution of \$250 per month towards health insurance for retirees from retirement age until eligibility for Medicare. The City's annual expected contribution for this benefit is about \$20,000 per year. Because of the limited nature of this benefit, the City funds it on a pay as you go basis. **As a result, the plan is actuarially underfunded by \$173,951.** This positive result is in stark contrast to many other communities where retiree healthcare has created multi-million dollar unfunded liabilities and is threatening municipal solvency.



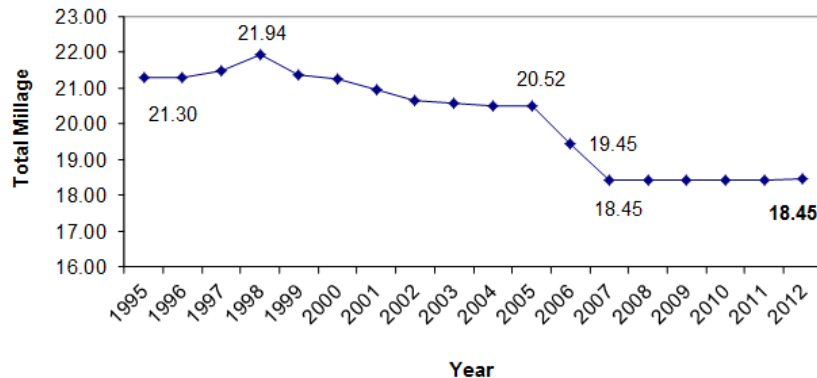
Property Taxes

The City is authorized to levy up to 20 mills for operating purposes. One mill equals \$1 in taxes per \$1,000 in taxable value. The taxes levied by the City are:

| Millage | Levied | Authority |
|----------------|----------------|-----------------|
| City Operating | 17.2957 | City Charter |
| Refuse | 1.15 | Act 298 of 1917 |
| Total | 18.4457 | |

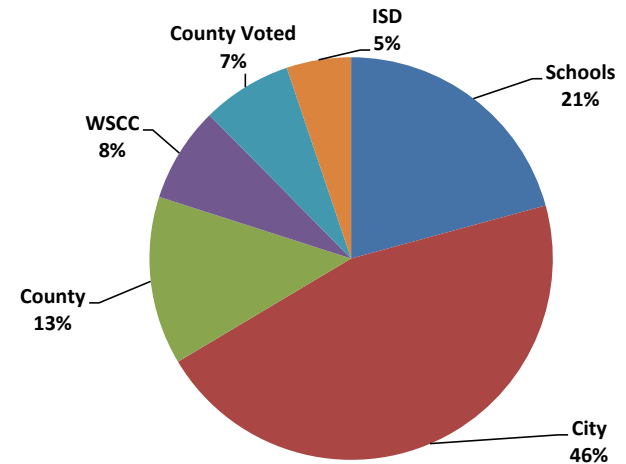
For a home with a taxable value of \$75,000, City taxes amount to \$1,383. Since 1998, City millage has been reduced by 16% or 3.5 mills.

Historic Millage Rates

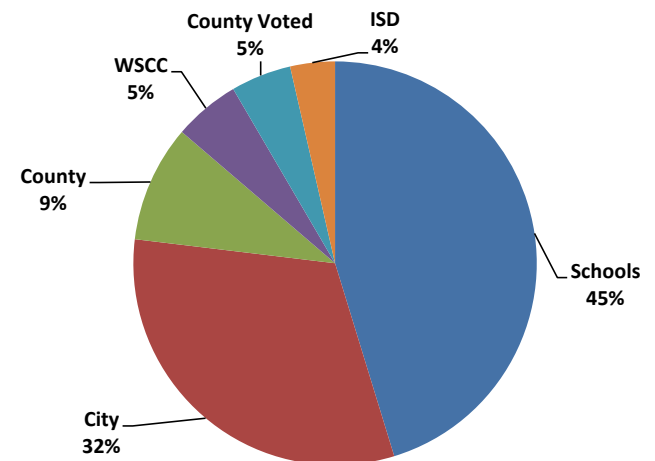


In addition to taxes that are charged by the City, several other governmental entities also charge property taxes, which the City collects and distributes to each entity

Resident Property Taxes



Non-Resident\Business Property Taxes



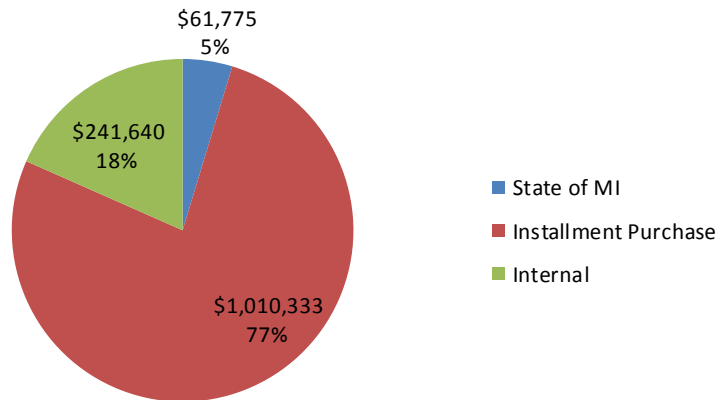


City Debt

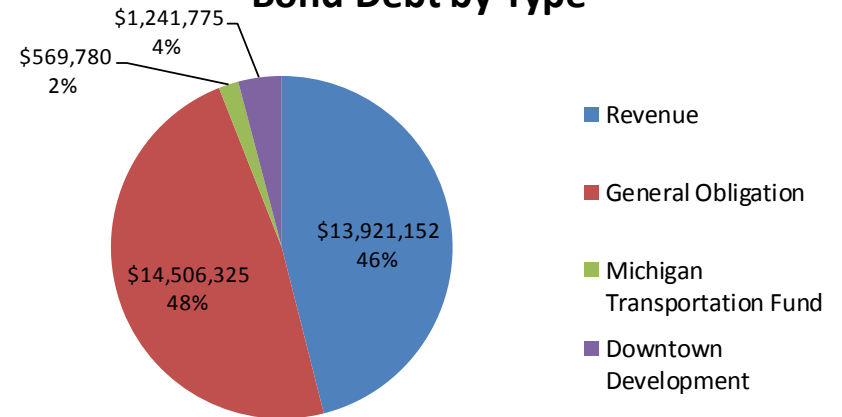
As of June 30, 2011, the City has thirteen outstanding bond issues. It has eight outstanding bank installment purchase contracts and internal loans. These bond issues and loans

create a first demand on City financial resources, before any discretionary funding. It is necessary to remain aware of these obligations as the City makes decisions on other financial matters.

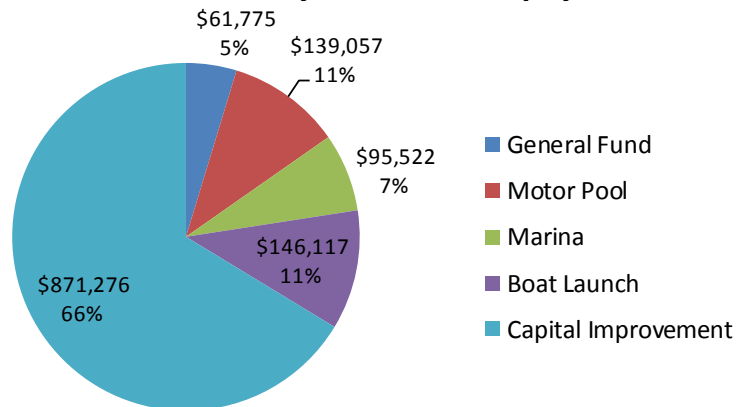
Bank\Other Debt by Type



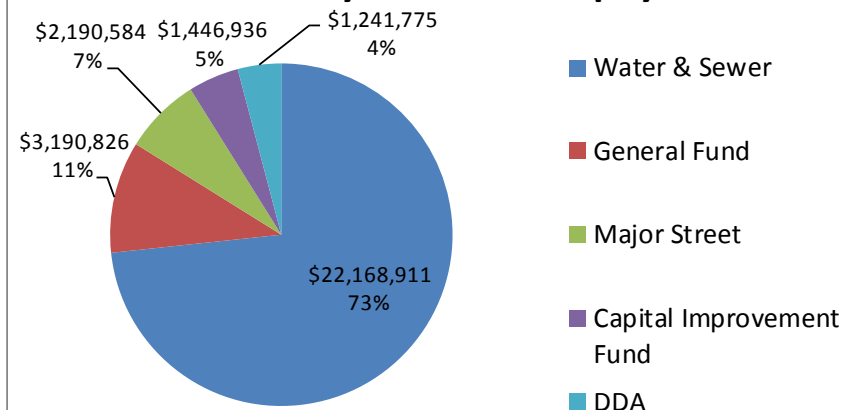
Bond Debt by Type



Bank\Other Debt by Source of Repayment



Bond Debt by Source of Repayment

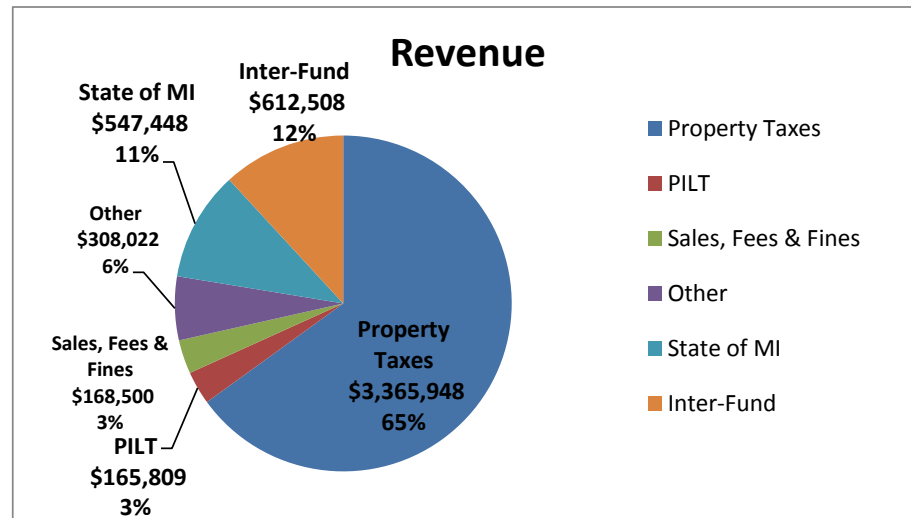




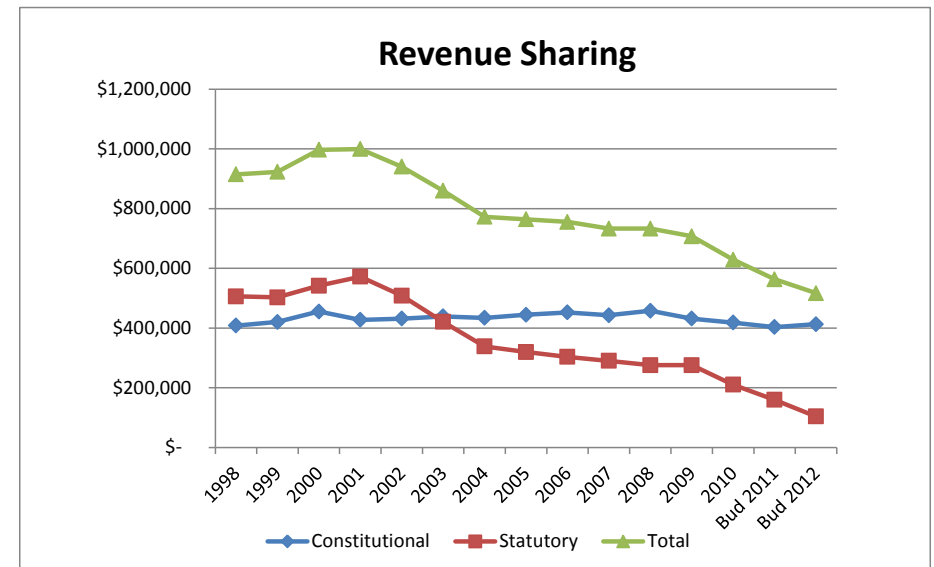
General Fund

The General fund is the primary City operating fund. It is where most City services are provided, such as Administration, Public Safety, Public Works, Parks and Community Development. Financial stability in the General fund is crucial if high levels of service are to be maintained. The total general fund budget is \$5,179,000.

On the revenue side, the City continues to confront significant fiscal challenges. Two of the primary sources of revenue to the General Fund are local property taxes and sales taxes passed thru to the City from the State in the form of revenue sharing. Both of these have been declining and are largely out of the control of the City. The tax base has declined by about 4% since 2009 yielding less property taxes, although the decline has been much less severe than in other areas of the state.



The larger issue is revenue sharing which has declined by \$482,000 or 48% since 2001; or almost 10% of the general fund budget. Total loss of payments since 2001 is in excess of \$3,000,000. This lost revenue is not expected to be restored in the near future.



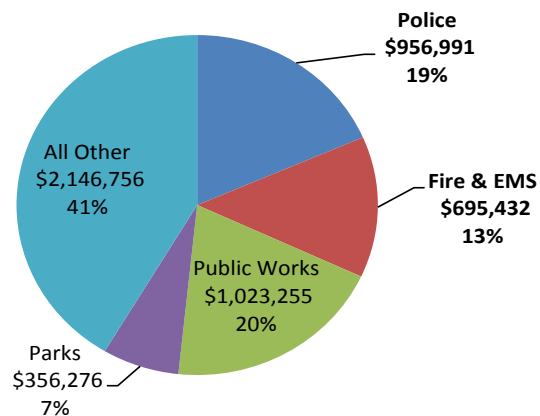
In addition, the Legislature is considering eliminating the personal property tax. This provides about \$275,000 worth of revenue to the City. If not replaced, this loss would significantly impact the City's ability to deliver services.

The City has very little ability to raise new revenues in the General fund, other than levying the full millage rate allowed, further complicating the revenue challenge.

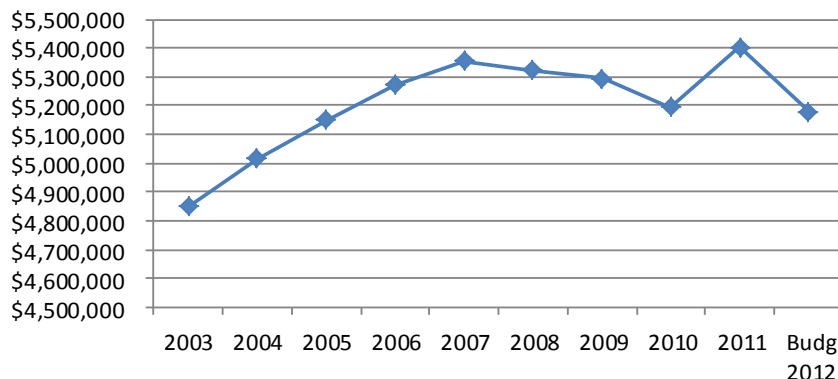


On the expense side, the City has been proactive in addressing employee costs, including wages, health insurance and pensions. It has also reduced total general fund employment by 9.5 FTE or 18% since 2004, including 2 FTE in the 2011-2012 budget, while largely maintaining service levels. It is hoped that these moves will allow the City to weather the financial storm and emerge stronger.

General Fund Expenditures

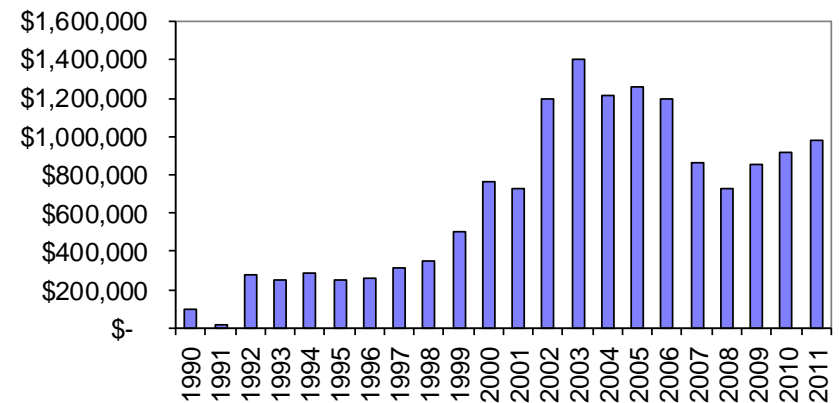


General Fund Expense



One key to financial stability is adequate, healthy financial reserves in the form of general fund balance. The City's fund balance has grown in each of the last three years.

General Fund Balance



Council has established a fund balance target of 20% of prior year operating expense, excluding transfers out. Depending on the expenses of the previous year, any percentage over 20% will be transferred into the Capital Improvement fund. In the past, \$410,000 has been transferred. As of June 30, 2011 the general fund balance was \$981,234; an increase of \$61,295 from the prior year. The fund balance is currently below the 20% target balance at 18.6%. With the uncertain financial times in the State of Michigan, there will be increasing pressure to use the fund balance to maintain existing services.



Water & Sewer Utility

The City of Manistee Water & Sewer Utility is a part of the City's Public Works Department. There are three main divisions. The water department is responsible for water production and treatment, monitoring, storage, testing, system maintenance and ensuring compliance with State and Federal regulations. The wastewater treatment plant is responsible for treating and disposal of the City wastewater stream, operating lift stations, testing, system maintenance, and ensuring compliance with the City's NPDES permit and State and Federal regulations. Finally, the sewer department is responsible for maintaining the sewer infrastructure, and monitoring CSO's and SSO's. All parties work together to ensure the highest treatment standards for both water and sewer so that the public health and environment is protected.

The utility is required by law and ordinance to be self-supporting. That is, the users of the system pay all the costs associated with operating, maintaining and servicing the debt of the system. To accomplish this, water and sewer rates are established annually by ordinance and periodically evaluated. The ordinance calls for a minimum mandatory inflationary adjustment each year. The annual inflationary adjustments to water and sewer rates ensure that the WSU has sufficient resources to respond to maintenance items and system failures. This commitment

protects the citizens' enormous investment in the system, and ensures that the City can adequately treat effluent and provide quality drinking water.



Current rates are:

| | |
|------------------|--------|
| Water per 1,000G | \$2.84 |
| Sewer per 1000G | \$5.68 |

The WSU has taken on a significant amount of debt in the recent past to fund State-mandated sewer separation projects. All of the major segments will be completed at the end of 2011. A combination of low interest loans from the State of Michigan and a market rate capital improvement bond will finance these projects. Total debt service payments average about \$1,645,000 per year through 2020 and the last bond is paid off in 2032.



Oil & Gas Fund

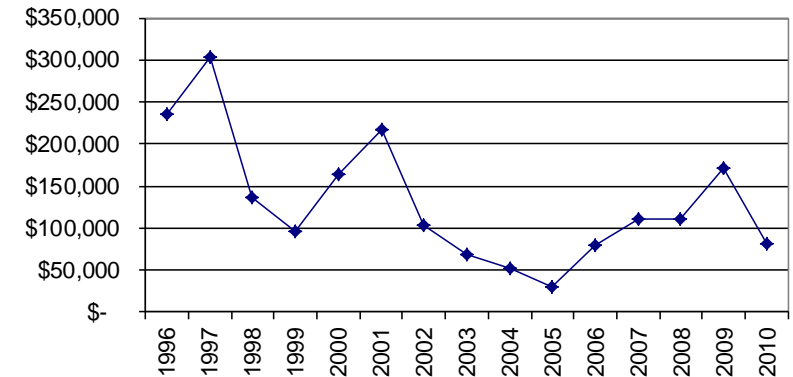
The Oil & Gas Fund was established to accumulate the principal generated from oil and gas royalties received from City-owned mineral rights. Charter Section 2-1(B) protects the principal and royalties of this fund from being spent without a vote of the people. Over the years the principal has grown and the fund balance is about \$8,700,000.

Investing the assets of this fund is handled by the Oil & Gas Investment Board, appointed by City Council. In the summer of 2008, the City's legislative initiative (Public Act 220 of 2008) to allow the Oil & Gas fund to be invested like a public pension fund was successful. The Oil & Gas Board subsequently hired an investment advisor, Bartlett & Co., to invest the Oil & Gas Fund assets.

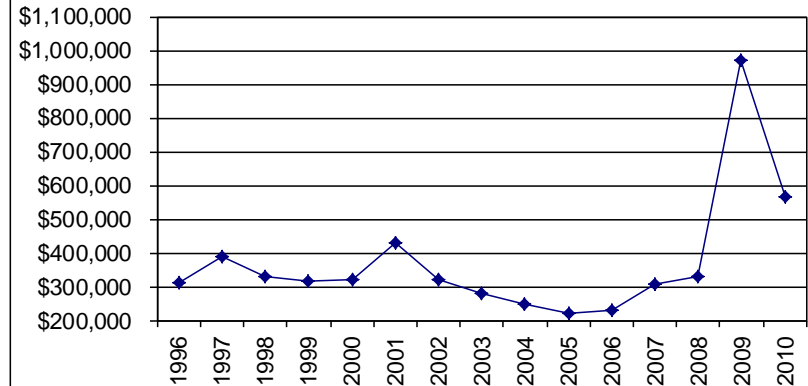
As the charts show, royalty income has fluctuated over the past ten years because oil and gas production volumes have varied and the price of oil and gas has varied considerably. Investment earnings have taken a sharp upturn due to enhanced ability to invest the assets and the recent favorable markets.

Oil & Gas fund earnings are used exclusively to fund capital projects for which there would otherwise be no funding. Over \$300,000 per year is used for these projects.

Oil & Gas Royalties

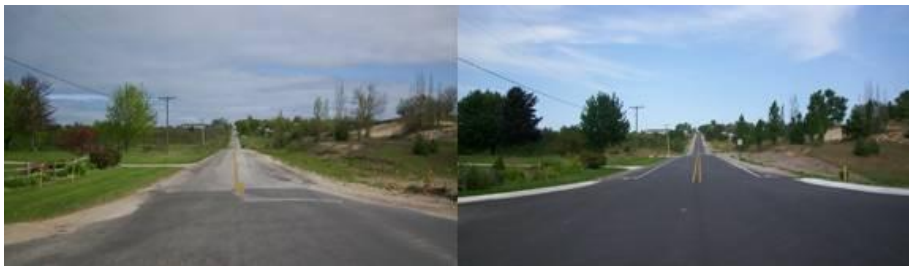


Oil & Gas Earnings



Streets

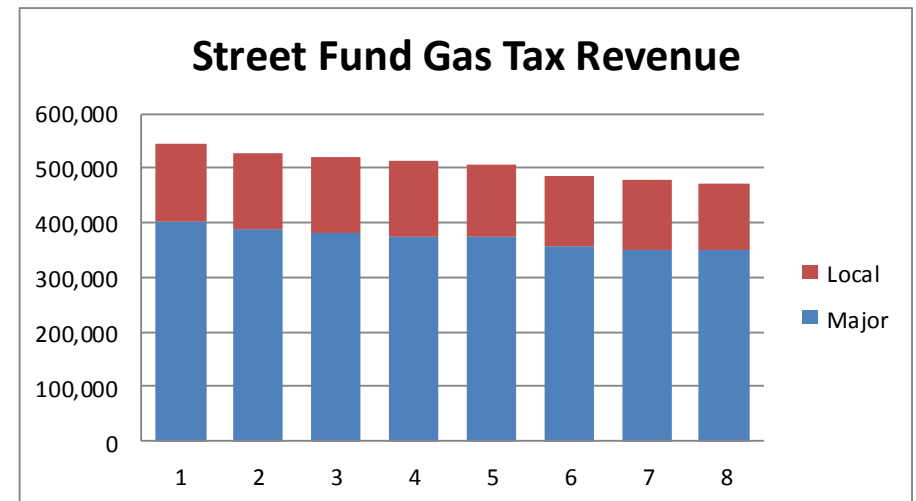
The City receives gas tax revenues from the State of Michigan for its major and local streets. The City has 18.35 miles of major streets and 29.5 miles of local streets. The Street funds pay for things like road construction, road maintenance, sweeping and plowing of streets.



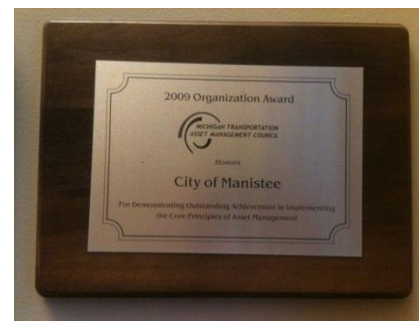
The street funds also are responsible for debt service on bonds issued for the River St. streetscape and Cedar St. CSO orphan streets. The payment for the River St. bond is about \$140,000 annually and the bonds will be retired in 2015. The payment for the Cedar St. bond is about \$81,000 annually and the bonds will be retired in 2031.

With state gas tax revenues declining, the City is receiving less revenue each year for street maintenance and projects. Since 2004, the amount of revenue has declined by 14% or \$73,000. Even without this decrease, gas tax revenue does not nearly cover the full costs of maintaining our streets. It is necessary to supplement these funds with other locally

generated funds and/or thru grants. Maintaining our roads in future years will become increasingly difficult because of this funding challenge and the high cost of street work.



A State approved and award winning Street Asset Management Plan has been drafted to systematically guide the City's future street projects and maintenance. This has given us increased flexibility in using our street dollars by



allowing more flexibility to transfer dollars between the major and local street funds. The plan is updated annually in the fall after our streets are rated by the DPW, in order to prepare for the next year's budget.

Ramsdell Theatre

The City owns the historic Ramsdell Theatre. The Ramsdell is listed on the National Register of Historic Places and serves as the community arts center of Manistee County. In the recent past, the volunteer, non-profit group Ramsdell Theatre Restoration Project ("RTRP") has raised nearly \$3,000,000 from generous donors and various grants to renovate and restore the Theatre.



The City also manages and operates the facility. It sets the policies for the building and is responsible for maintenance. The City hopes to eventually move the

Ramsdell Theatre to break-even operationally; however the City's general fund currently provides a \$60,000 annual operating subsidy. This subsidy allows the Theatre to keep its doors open and protect the multi-million dollar investment that has been made in the building.

In addition to the restoration work, the City replaced the roof and addressed other exterior areas of the building at a cost of \$425,000 in the fall of 2009. Currently, the failed

HVAC system is being replaced at a cost of \$1,250,000. A projection system was also added in 2011.

Several other areas of the building also need capital investment and are being addressed as funds allow:

- Lower level classrooms.
- Green room reconfiguration.
- Concession area.
- Handicap accessible elevator access.
- Dressing room and storage.

Council, Administration and the Community recognize the extraordinary value of the Ramsdell. However, the reality is that the Ramsdell is not self-supporting operationally, consumes a significant amount of capital improvement resources and cannot effectively be operated by City staff on a part-time basis in the intermediate to long term, particularly if activity levels increase.

The City is starting preliminary investigations into alternative operating models and/or funding sources for the Theatre, including strategic private partnerships, collaborative public partnerships and dedicated revenues thru a millage authority. Hiring an executive director is also a likely outcome of this process.